

1. Prudence means to put forth the least optimistic financial results so as to get readers to see the worst range of outcome in areas where certainty cannot be absolutely determined, such as provisions and other estimates.

Example: Provision for doubtful debt can possibly range from anything between nothing and \$10,000. In exercising prudence, the company should use \$10,000.

2. Consistency means that a business entity should consistently apply its accounting policies, relevant to each category of accounts, throughout all its accounting periods.

Example: Motor vehicles are depreciated using reducing balance method at a rate of 25% per annum. In exercising consistency, the business entity should consistently apply this policy for this class of fixed asset in all its subsequent years.

3. Accruals means that an item of expense or income should be taken up and be included in the accounts when it is incurred or earned, not merely upon receipts or payment.

Example: Water & electricity expensed in the month of June 2013 should be taken up as an expense for the month June 2013, even though the bill was paid in July 2013.

2.	\$
Capital @ 30/6/12 (total assets - total liabilities)	72,100
Add: Drawings	12,000
Less: Revaluation of freehold property	(20,000)
	64,100
Less: Capital @ 30/6/11 (total assets - total liabilities)	(45,800)
Net Profit for the year ended 30/6/12	<u>18,300</u>

3 a) During the month:	\$
Expected takings $\left[(92,000 - 2,000) \times \frac{100}{80} \right]$	112,500
Less: Actual takings $(92,300 + 14,000 + 3,000)$	(109,300)
Cash stolen	<u>3,200</u>

- b) i) Install security camera
 ii) Install a securely locked cash register

4a) Stock should be valued at the lower of cost and net realizable value (NRV); where
 cost includes cost of purchase plus any other cost directly incurred in bringing the stock to its present location & condition and
 NRV is the estimated selling price less any cost necessary to make the sale and the cost to sell.

$$\begin{aligned}
 \text{b) Correct net profit} &= 20,000 + 4,000 - (5 \times 100) - (20 \times 22) \\
 &= \$23,060
 \end{aligned}$$

5 a) Working capital is the current funds available for use by a business.

b) 1) No effect

2) Increase \$1000

3) Decrease \$50

4) Decrease \$5000

6 a)

\$000

Equity @ 30/9/12 (net asset)

400

Less: Additional capital by Kim

<100>

Add: Drawings (40 + 30)

70

370

Less: Equity @ 30/9/11 (net assets)

<250>

Profit of the partnership for year ended 30/9/12

120

b) Partnership appropriation A/c for the year ended 30 Sept 2012

\$000

\$000

Net profit

120

Less: Annual salary - Kim

<10>

Less: Interest on capital (5%)

- Kim (5 + 2.5)

7.5

- Lam

5

<12.5>

Profits available for appropriation.

97.5

Share of profits :-

- Lam (minimum)

50

- Kim

47.5

97.5

6c) Statement of financial position (extract) as at 30 September 2012

Owners' Equity	\$'000	\$'000
Capital account		
- Kim (100 + 100)	200	
- Lam	<u>100</u>	300
Current Account		
- Kim (20 + 10 + 7.5 - 40 + 7.5)	45	
- Lam (30 + 5 + 50 - 30)	<u>55</u>	100
Total Equity		<u><u>400</u></u>

7a) As at 30 June 2012:

	\$'000	\$'000
Original net profit as per accounts		300
Add:		
- Nil -		

Less:

(1) Depreciation	18	
(2) Closing stock write down	2	
(3) Bad debt write off	<u>5</u>	(25)
" " " "		<u>275</u>
(7) Provision for bonus		(25)
Revised net profit		<u><u>250</u></u>

	\$000	\$000
(b) Fixed (non-current) assets at NBU		982
<u>Current Assets</u>		
Stock	98	
Debtors (60 - 8 - 5)	47	
Bank	3	148
<u>Current Liabilities</u>		
Creditors (50 - 15)	35	
Loan (current portion)	3	
Provision for bonuses	25	
		<63>
Working capital		85
<u>Long Term Liabilities</u>		
Long Term loan		<12>
		<u>1055</u>
<u>Owner's Equity</u>		
Opening Capital	900	
Add: Net Profit	250	
Less: Drawings	<95>	
		<u>1055</u>

c) Advantages

- i) Save storage space as most files can be saved electronically.
- ii) Save manpower costs as transactions only need to be keyed-in once i.e. from source document to book of prime entry using accounting software.

Name PDA A Level

Index No. KSC

Question
Number

Subject Q7(c), Q8

Class

Date 27/1/15

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7 c) Disadvantages

- i) High costs and time spent on training and implementation of computerized accounting system
- ii) Resistance to change i.e. staff could be very used to the old ways of doing things and is reluctant to accept new ways.

8 b) i) Shows the individual components of cash inflows and outflows within the categories of investing activities and financing activities.

ii) Shows a meaningful reconciliation between profit from operations and cash generated from operations, thus self-explain the reasons for the difference in both figures.

Name POA A Level

Index No. CSC

Question
Number

Subject (a)

Class

Date 27/7/13

Do
wri
in th
marSam's Trading Company (PTE)

Balance sheet as at 31 March 2012

	\$000	\$000	\$000
	Cost	Acc depr	Net
<u>Fixed Assets (non-current)</u>			
Land and buildings (at revalued amount)	70	-	70
Plant & machinery	45	(21)	24
			<u>94</u>

Current Assets

Inventory		9	
Trade receivables		10	19

Current liabilities

Trade payables		3	
Bank overdraft		6	(9)
Working capital			10
			<u>104</u>

Equity:

Ordinary shares			40
Revaluation reserves			25
Retained earnings (15 + 2 - 2 - 1)			14
			<u>79</u>

Long Term liabilities

Loan			25
			<u>104</u>